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C O N F I D E N T I A L SECTION 01 OF 03 BEIJING 003085

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TAGS: [ECON](#) [EINV](#) [ETRD](#) [ELAB](#) [PGOV](#) [ENRG](#) [CH](#) [HK](#)  
SUBJECT: CENTRAL CHINA EXPO 2007: IF YOU BUILD IT, THEY  
WILL COME

REF: A. BEIJING 22299

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Classified By: MINISTER COUNSELOR FOR ECONOMIC AFFAIRS ROBERT LUKE; REA  
SON 1.4(B) AND (D)

SUMMARY

[1](#)1. (C) Government officials and businessmen descended on Zhengzhou April 26-28 for the second Central China Expo. The Expo, a featured part of the Central Government's six-province "Central China Rising" strategy, was well attended despite the poor organization of volunteers who were ill-prepared for the large-scale event. The Central China Expo, with support from Vice Premier Wu Yi, Commerce Minister Bo Xilai, and the six provincial governors, appears to be maintaining its momentum seven months after the first Expo in Changsha (Ref A). Zhengzhou's business sector demonstrated its growing clout, as businessmen flocked to the city's exhibition center (the largest in China outside Shanghai) on the first two days of the event, in marked contrast to the more politically staged Changsha event. For foreign investors, views on Zhengzhou's investment potential, while buoyant in public, remain guarded in private. END SUMMARY.

TRAVEL TO ZHENGZHOU

[1](#)2. (C) Econoff and Econ Assistant traveled to Zhengzhou, Henan Province April 24-27 to attend the Central China Expo. They also met on the margins of the Expo with provincial government officials and businessmen. Zhengzhou, the capital of China's most populous province, is the Embassy's first Virtual Presence Post (VPP) in China, and Press Officer and Consular Officer joined Econoff in Zhengzhou to publicize the launch of the VPP website (septel to follow).

HENAN'S ECONOMIC DEVELOPMENT: IF YOU BUILD IT...

[1](#)3. (C) Wei Zhiyong, Director of the Foreign Economy Department at the Henan Provincial Development and Reform Commission, highlighted the province's recent economic successes during a meeting with Econoffs on April 25. Wei stated that Henan's GDP growth rate outpaced the country as a whole, exceeding 14 percent for the third consecutive year in

2006, boosted by investment in the manufacturing, real estate and transportation sectors. Infrastructure in the province continues to improve, Wei said, and Henan now boasts more highway mileage than any other province. The Central China Expo gives Henan an opportunity to inform potential investors about the province's benefits -- an opportunity the provincial government would not have been able to seize at any point during the previous twenty years due to lack of development. Significant challenges remain for continued development, Wei said, particularly increasing foreign direct investment (FDI), which remains low. Henan relies on Hong Kong, Taiwan, and coastal provinces for much of its incoming investment, Wei added. (Comment: Henan does not lack domestic investment in areas such as real estate. However, FDI is still highly welcomed as a means to create higher value, sustainable employment. End Comment.)

14. (C) Henan Governor Li Chengyu told a group of diplomats on April 26 that Central China is growing increasingly competitive. According to Li, with resources such as oil and gas, sectors like petrochemical and aluminum, along with textile manufacturing and rice production, Henan Province plays an important economic role in the region. Li said he is particularly proud of Henan Province's transition from a predominantly state-owned economy to one that is more driven by the private sector. From 2002 to 2006, the share of non-state-owned enterprises increased from 30 percent to 55 percent, Li said. (Note: Provincial officials routinely include firms in the non-state-owned category that are not wholly state-owned, but in which government entities retain shares. End Note.)

...THE BUSINESSMEN WILL COME  
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15. (C) Proof positive of Henan's growth was the robust attendance at the Expo. In marked contrast to the low turnout in Changsha (Ref A), government officials and businessmen flocked to Zhengzhou's exhibition center (the largest in China outside Shanghai) in the Zhengdong New District. Even on the second day of the Expo, long after the VIPs had departed, local businessmen continued to stream through the exhibit, suggesting the event offered more than ceremony and symbolism. Wang Chaobin, a local real estate magnate and member of the Chinese People's Political Consultative Congress (CPPCC), said that the Zhengzhou event clearly was more commercially driven than its predecessor in Changsha.

16. (C) Continuing its focus on Central China, Hong Kong sent a large trade mission to Zhengzhou, led by Chief Executive Donald Tsang. The Expo trade floor, like the Henan International Trade and Investment Fair one year earlier, was dominated by companies from Hong Kong as well as investors from coastal provinces (Ref B). In an effort to broaden the scope of trade and investment opportunities, Expo organizers also held a special symposium on China-Africa trade and investment (septel to follow), and invited Trade and Commercial Officers from Beijing-based Embassies. Representatives of the UK, Canadian, German and Belgian Embassies all attended.

CENTRAL CHINA: GO THE DISTANCE!  
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17. (C) The Central China Rising strategy -- supported by the Central Government and the provinces of Henan, Hubei, Hunan, Anhui, Shanxi, and Jiangxi -- aims to advance an artificial construct, i.e., integrating the development of six provinces that are otherwise not a natural economic unit. The Expo, however, appeared to further cement the ties between the Central Government and the six provinces in their effort to market Central China as a single entity. At a meeting with multinational companies on April 25, Governor Li promoted

Central China as an investment destination, stating that 310 of the Fortune 500 companies and 300 of China's top 500 companies already have invested in the region.

18. (C) Other provincial leaders focused on Central China's contributions in the sectors in which their respective provinces hold comparative advantages. Anhui Governor Wang Jinshan spoke of the importance of Central China as a manufacturing hub. Zhou Qiang, Governor of Hunan Province, emphasized the important role of tourism. Shanxi Vice Governor Song Beishan focused on Central China as an energy base. More than 40 multinational companies attended the April 25 meeting, and Richard Hansmann, Vice President of Siemens China and Chairman of the Executive Committee of Foreign Invested Companies (CAEFI), represented the multinationals, giving a positive assessment of the region's natural and human resources.

19. (C) To further emphasize the purported synergies in the Central China region, Zhengzhou Stadium hosted an Olympic Opening Ceremony-like spectacle on April 26. The three-hour presentation boasted star singers from all over China and hundreds of performers from Central China's six provinces, and highlighted the attractions of each of the six provinces in televised promotional videos. The six provincial governors all attended the extravaganza.

#### THE VIEW FROM INVESTORS: EASE THEIR PAIN

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110. (C) Despite the Expo's public success, there was much grumbling in private. Businessmen and diplomats complained that logistically speaking, Zhengzhou was not adequately prepared for the Expo. The Henan Provincial Government's staff and volunteers were poorly organized and ill-prepared for the large-scale event. Business representatives' views on Central China's potential were, although positive in public forums, more guarded in private discussions.

111. (C) Michael Barbalas, President of the American Chamber of Commerce in China, told Econoff that 23 companies participated in the Expo, and while they were favorably impressed with Zhengzhou's infrastructure, they remain

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concerned about transparency. Goh Hung Song, Chief Representative of APL Logistics China, attended the Expo as part of the United States-China Business Council (USCBC) delegation, and lamented that only 13 members of USCBC had elected to participate. Wang Zhaohua, Vice President of Michelin China, said that Michelin has little interest in Central China but was encouraged to attend the Expo by the Ministry of Commerce. Christopher Hassall, based in Guangzhou as Vice President of Procter and Gamble's Greater China External Relations Office, told Econoff that his company might not have been represented at the Expo were it not for a new village distribution agreement in Henan Province that Procter and Gamble is about to finalize.

#### COMMENT: CENTRAL CHINA A MIXED BAG, ZHENGZHOU BOOMING

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112. (C) We see a mixed result in the second Central China Expo. On one hand, it underlined that the region still has its difficulties, including, despite provincial officials' claims, an over-reliance on the state-owned sector, lack of transparency, and inexperience with wooing investors, not to mention that the six-province Central China construct remains largely an artificial political creation. However, the marketing of Central China as a unit does appear to be gaining at least some traction with the private sector. The city of Zhengzhou itself appeared to be far more successful than Changsha in demonstrating an ability to attract commercial interest. Logistical difficulties notwithstanding, the city appeared to use the Expo to showcase that it is on the way to becoming the number two

economic hub in Central China after Wuhan. Zhengzhou will need to address some of its shortcomings in the near-term, however, to ensure that it is able to lure investors from Hong Kong, Taiwan, coastal China, and elsewhere if it is to prove that it is more than just a field of dreams. End Comment.

RANDT